

# NOTICE TO EMPLOYERS

## Important Changes to 2008 State Withholding For Nebraska

**LB367.** As a result of the state income tax reduction, the Department of Revenue has changed the state withholding tables. Specific changes include:

1. Decreasing withholding rates and broadening withholding brackets;
2. Eliminating the top withholding bracket of 7.18%; and
3. Increasing each withholding allowance from \$1,530 to \$1,700.

**LB223. Special Withholding Procedures.** Employers who employ 25 or more employees at any time during the year must withhold state income tax for each employee at the rate of at least three percent (3%) of gross wages, less tax-qualified deductions, unless the employee provides satisfactory evidence to the employer that a lesser state withholding amount is not an attempt to evade applicable state taxes.

The withholding tables in this 2008 Nebraska Circular EN (beginning on page 8) represent implementation of the special withholding procedures. The **non-shaded area** indicates withholding of at least 3%, or 50% or more of the withholding for a Single employee with one withholding allowance or a Married employee with two allowances. The **shaded area** indicates withholding amounts that do not meet these two criteria.

An employer may accept documentation from an employee whose withholding falls into the shaded area to justify the lower withholding percentage. Documentation may include verification of number of children/dependents, marital status, and level of itemized deductions. Without such documentation, the employee's withholding must be set at 3% or at some other level **within the non-shaded area of the withholding table.**

The **employer** may be subject to a penalty of up to \$1,000 for each employee allowed to be under-withheld if the employee's low withholding is not substantiated.

An **employee** found to have intentionally evaded the state's income tax by claiming an excessive number of allowances, or in any other manner overstating the amount of withholding, shall be guilty of a Class II misdemeanor.

**Electronic Filing Requirement.** Beginning in 2009, an employer or payor who is submitting more than 250 W-2s, W-2Gs, 1099-Rs and/or 1099-MISCs for 2008 must file the forms electronically.

For additional information, see the Department of Revenue Web site:

**[www.revenue.ne.gov](http://www.revenue.ne.gov)**